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Netherlands

Oilseeds and Products

Biofuels situation in the Benelux 2006

Approved by:

Roger Wentzel

U.S. Embassy, The Hague

Prepared by:

Bob Flach

Report Highlights: It is anticipated that The Netherlands and Belgium will largely depend on imports in order to fulfill the ambitious government goals for the production and consumption of biofuels. Dutch ports already import large volumes of fuel wood, palm derivatives and ethanol destined to be used as biofuel. Opportunities for U.S. exports lay in the supply of fuel wood, soybean oil and other vegetable oils and grains.

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Introduction

As EU Members, The Netherlands and Belgium implement regulations of the European Commission through national law. Regarding support for the production and consumption of biofuels the following regulations are important:

- Directive 2003/30/EC, which set goals of 2 percent in 2005 and 5.75 percent in 2010 for the use of biofuels as transportation fuel.
- Directive 2001/77/EC, which supports the use of biomass for the generation of green electricity.
- Directive 2003/96/EG, which sets the conditions for regulating taxes on biofuels for electricity generation and as transportation fuel.

More information about EC legislation and EU-wide market information on biofuels can be found on the website of the U.S. Mission to the EU: <http://www.useu.be/AGRI/Biofuels.htm>. The Netherlands and Belgium are not frontrunners in implementing the above EC Directives in national legislation. As a result, production and consumption of biofuels has been limited. Both the Dutch and Belgian government set, however, ambitious goals for the use of biofuels in the near future. It is anticipated that due to the limited arable crop area available in the Benelux countries, they will largely depend on imports in order to fulfill these ambitions. These imports could either be finished biofuels or feedstocks to produce biofuels domestically. It is generally expected that a major part of these agricultural bulk materials will be imported through the Dutch and Belgian seaports and will partly be obtained from suppliers outside the EU. The Rotterdam port is already a major hub for the import of biofuels, including bio-ethanol, palm derivatives and wood (see table 1).

Production of biofuels in the Benelux

Table 1 Production, consumption and third country imports of biofuels in the Benelux (MT)			
	2005	2006	2007
Production biofuels			
- Biodiesel	20,000	50,000	450,000*
- Ethanol	0	0	380,000*
Consumption biofuels			
- Biodiesel	0	20,000	150,000
- Ethanol	0	40,000	185,000
- Palm oil	400,000	100,000	100,000
- Palm kernels	1,000,000	1,000,000	1,000,000
- Fuel wood	2,000,000	2,500,000	3,000,000
Non-EU imports of biofuels or feedstocks for producing biofuels			
- Ethanol	650,000	800,000	1,000,000
- Palm oil	400,000	100,000	100,000
- Palm kernels	1,000,000	1,000,000	1,000,000
- Fuel wood	500,000	1,000,000	1,500,000

Source: Estimate of the Office of Agricultural Affairs in The Hague based on industry information and statistics of the World Trade Atlas. *Based on industry intentions to build plants. Note: Benelux production of fuel wood is unknown, but consists mainly of scrap wood.

Due to the small arable crop area, The Netherlands is unable to produce sufficient feedstock for its projected demand of renewable energy sources. Because of this dependency on feedstock sources outside of The Netherlands, most of the biofuel plants will be located at seaports, such as in the Rotterdam port area and at the Eemshaven in the North of The Netherlands. The Belgian Government is more focused on supporting production of biofuels from grains and oilseeds harvested in the EU. Belgium will assign a quota for the production of 350,000 MT of biodiesel and 150,000 MT of ethanol, which equals projected domestic demand in 2010. An important part of this production will be produced in the so-called Ghent Bio-Energy Valley, starting in 2007. From this location grain intervention stocks are easily accessible as near this location Euro-Silo, an intervention silo, is located.

Production of biodiesel in the Benelux

At the moment, Benelux production of biofuels is limited to only about 20,000 MT of biodiesel from mainly rapeseed. In 2006, production is anticipated to increase due to opening of two plants in The Netherlands: SunOil (capacity 35,000 MT per year) and BioValue (capacity 60,000 MT per year). The construction of the plant of SunOil has already begun, while construction of the plant of BioValue is reportedly still in the planning phase. Feedstock used in these plants will either be imported or produced domestically. Most of the biodiesel will be produced for the German market.

In December 2005, the company Unimills, a subsidiary of the Malaysian company Golden Hope Plantation, reportedly signed a declaration of intent with the Austrian company Godiver for building a biodiesel plant in The Netherlands. It is not yet known what the capacity will be and which feedstock will be used. But sector sources reveal that the capacity will be at least 100,000 MT, and the feedstock will not be restricted to rapeseed oil. Palm oil and soybean oil are mentioned as raw materials with a good potential considering their price in comparison with rapeseed oil. Dutch biodiesel production could rise considerably by using palm oil as feedstock (see GAIN Report NL5017). Palm oil fractions with lower melting points could possibly be blended with fossil diesel in the petro-chemical refineries in Rotterdam and exported throughout North Western Europe. Another option is blending palm oil with soya oil to produce pure biodiesel. Biodiesel could also be imported from outside the EU, such as biodiesel produced from palm oil, or other palm derivatives, in Malaysia or Indonesia. The Dutch Government is currently preparing legislation on which biofuels will be permitted on the Dutch market. In Belgium, biodiesel production is anticipated to take off in 2007. Three companies are expected to fill the Belgian quota: Bioro (capacity 150,000 MT per year), Oleon (capacity 100,000 MT per year) and Cargill (capacity 100,000 MT per year). Feedstock will be predominantly grown within Belgium.

Production of ethanol in the Benelux

At the moment, ethanol production for fuel use is absent in the Benelux. In Belgium, two companies plan to start their production in 2007. Alco Bio Fuel, a cooperation between the Alco Group, Euro-Silo and Aveve, is planning to start with 80,000 MT of production capacity in 2007. The full capacity of 300,000 MT is planned to be reached in 2010. The German company Südzucker has plans to start with production of 85,000 MT in 2007. Raw materials for these plants will probably be by-products such as molasses and potato waste, and possibly wheat. It is generally expected that the availability of by-products from the food processing industry for the production of ethanol will increase as the use of these products as feed is anticipated to decline in the Benelux.

The Dutch company Nedalco is awaiting the establishment of favorable Dutch policy on ethanol before building a plant with a production capacity of about 160,000 MT of ethanol. The feedstock for the prospective Nedalco plant will most probably be molasses and by-products from the nearby wet milling plant of Cerestar, which produces wheat starch.

Nedcalco is planning to supply 25 percent of the new capacity with cellulosic ethanol. With the technology to produce ethanol from cellulosis, Nedcalco would have the capability to use a wide variety of feedstock imports, such as palm kernel meal. A competitor of Nedcalco is reportedly planning to build a plant with a capacity of about 100,000 MT near Amsterdam. Feedstock of this plant will probably be wheat. The profitability of domestic ethanol production as biofuel depends significantly on the policy for ethanol imports, and in particular the policy toward ethanol imported from Brazil. In 2005, the Rotterdam port imported reportedly 650,000 MT of ethanol. The major part of these imports was destined for the Swedish and UK market, but ethanol imports are seen as a potential threat for domestic production.

Consumption of biofuels in the Benelux

Due to the limited use of subsidies by the governments, the use of biodiesel and ethanol as transportation fuel has been negligible in Belgium and The Netherlands compared to some other EU Member States such as Germany and France. Just recently the Belgian and Dutch Government finished legislation on subsidizing biofuels as transportation fuel. The Belgian government decided to lift the tax on bioethanol, blended in gasoline with a minimum percentage of 7 percent volume basis, and biodiesel, blended in diesel with a minimum of 2.45 percent volume basis. The EC gave their permission for the tax reduction just recently, on December 23, 2005.

During the year 2006, the Dutch Government will reduce the tax on gasoline by Euro 10.10 per thousand liter, and on diesel by Euro 6.10 per thousand liter if these fuels contain at least 2 percent on volume basis, respectively, of bioethanol or biodiesel. In line with the new Dutch policy, Shell started to incorporate 2 percent of bioethanol in their gasoline in January 2006. The Dutch Government is preparing legislation to make 2 percent blending with bioethanol and biodiesel compulsory in The Netherlands from January 2007. The subsidy level per thousand liter of ethanol and biodiesel is given in tabel 2.

Table 2 Subsidy per 1,000 liter of Biofuel				
Fuel	Country	Tax Euro/1,000 l of Fuel	Inclusion Rate of Biofuel	Subsidy Euro/1,000 l of Biofuel
Gasoline	The Netherlands	676	2%	505
	Belgium	600	7%	600
Diesel	The Netherlands	371	2%	305
	Belgium	350	2.45%	350

Note: The governments regularly adjust taxes.

Generation of green electricity

In contrast to the use of biofuels as transport fuel, their use for "green" electricity generation has increased considerably during the past three years. In 2005, electricity generation accounted for the utilization of about 400,000 MT of palm oil, 1,000,000 MT of palm kernels and about 2,000,000 MT of wood material in the Benelux (see table 1). The production of "green electricity" has the potential to boost demand for palm oil by more than 1,000,000 MT annually. The Dutch company BIOX bv and the Belgian company Electrabel planned to build new power plants, which would use palm oil as the primary fuel. However, most of these plans have been abandoned, as the investment is judged as too risky because of potential policy changes. Domestic farmers, grain processors and crushers reportedly lobby for the

use of sunflower and rapeseed oil, while Non Governmental Organizations put pressure on the Dutch government to end the subsidies on the use of palm derivatives, claiming most of the palm products are produced by cutting rainforests. As a result, the use of palm oil is expected to decline in 2006 and Dutch production of renewable energy is expected to drop significantly. This is in conflict with the ambitious goals of the Dutch Government for greener electricity production. The Ministry of Economic Affairs set targets for renewable electricity of 6 percent in 2005, 9 percent in 2010, and 17 percent in 2020. In addition, the Dutch Ministry of Environment signed an agreement with electricity producers to reduce carbon dioxide emissions by 3.2 million MT between 2008 and 2012. The Dutch Government also formulated a vision to cover 30 percent of the total energy consumption by biomass energy in 2040, mainly as primary fuel for electricity production and as transportation fuels.

Opportunities for U.S. Exports

To reach the ambitious goals of the Dutch Government it is anticipated that about 80 percent of the feedstock will need to be imported. A major part of these imports would have to come from destinations outside the EU. One of the potential feedstocks, which the U.S. could supply, is fuel wood. During the past five years, Benelux fuel wood imports from Canada increased continuously to about 375,000 MT in 2005. Dutch fuel wood imports are expected to increase further in 2006 and 2007 (see table 1). Fuel wood consists mainly of pelletized sawdust with a value of about EURO 80 to 100 per MT. Another opportunity for U.S. exports lays in the increasing pressure on vegetable oil prices due to the increasing volume of oils used for the production of biodiesel and the generation of green electricity. If oil prices increase and greater quantities of EU rapeseed are channeled to biodiesel fuel production, opportunities could emerge for U.S. vegetable oils on the EU market primarily for food uses. This could create additional demand for soybean oil but possibly also rapeseed oil, maize oil, sunflower oil, linseed oil and peanut oil. Soybean oil could also be used as feedstock to produce biodiesel. A blend of soybean oil and palm oil could approach the technical properties of rapeseed oil (see GAIN Report NL5017). The Dutch grain-processing sector also anticipates increased third country imports of grains, such as wheat and corn, as the acreage for the production of rapeseed is expected to expand in the EU, displacing area currently planted to grains.

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